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Testimony SB252,253

*Montana Preservation Alliance saves and protects Montana's historic places,  
traditional landscapes and cultural heritage.*

SENATE TAXATION

EXHIBIT NO. 3

DATE 2.11.11

BILL NO. SB 253

Tax credits are a traditional incentive used to encourage activities in the interest of society, without providing direct grants, tax credits leverage investments by private citizens. The tax credit for rehabilitation of historic buildings has been on the books for over two decades now. In that time, it has been a tremendous success – encouraging investment in historic buildings, mostly in downtowns where people, especially today, can really use the jobs and the economic activity that a major building project brings to a community.

In that time, these have been \$36 Million invested in rehab projects, and state tax credits in all that time totaling \$1.8 Million. In other words, the state's investment in successful rehab projects was just 5% of the total generated over that time. It's important to note that this program targets its assistance to businesses, the tax credits are only applicable to "income-producing properties."

Rehab of historic commercial buildings does a lot of good for communities:

- Strengthens the core downtown area in historic towns
- Puts unused buildings back into the tax base.
- Beautifies the streetscape
- Creates jobs that pay higher wages and are more labor intensive than new construction
- Creates a ripple effect that often spreads to nearby properties
- Preserves the heritage of our communities.

In Billings, the restoration of the railroad depot on Montana Avenue initiated the revitalization of historic "Old Town" to a dynamic commercial center. Several properties across the tracks, on Minnesota Avenue, have also been rehabilitated using preservation tax credits. So successful were they that property owners and the city of Billings are financing the expansion of the downtown historic district so that additional properties along Minnesota Avenue will be eligible for historic tax credits.

- Sacajawea Inn in Three Forks, Marcus Daly Bank in Anaconda, Finlen Hotel in Butte, L&L Building in Billings
- Some great projects are in the works right now: Ouelette Place in Lewistown, the Babcock Theatre in Billings.

Currently Montana historic preservation tax credit is the lowest of all states that offer historic preservation tax credits, at only 5% of qualified expenses. In fact last session, we backed a bill to increase the tax credit as many states have done, because it works, because it is effective and because according to the National Trust for Historic Preservation, in order to stimulate historic preservation, "the percentage rate of the credit should be fixed at a level high enough to constitute a meaningful incentive, typically in the range of 20 percent to 30 percent of qualified rehabilitation expenditures."

In Montana there are over 1,018 properties that have been listed individually in the National Register of Historic Places, including over 100 listed historic districts which contain thousands more historic buildings – many of which could utilize the tax credit for redevelopment.

In the current tough economic times, we have witnessed banks becoming more and more conservative regarding the loans they will make. This makes it even more difficult to redevelop historic properties. Montana's historic preservation tax credit helps by stimulating reinvestment in historic properties, many of which are located in the central business districts of Montana's cities and towns.

And as a tax credit rather than an appropriation, these credits over the long haul pay for themselves by redeveloping historic properties and significantly enhancing the tax base and property taxes.